

Message Text

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ORIGIN EA-06

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DRAFTED BY EA/K:PMAYHEW:CHG

APPROVED BY EA/K - MR O'DONOHUE

FRB: REMERY

COMPTROLLER OF CURRENCY -PHOGAN

EB/IFD/OMA - MR BALABAMI"

----- 021618

R 042301Z MAR 75

FM SECSTATE WASHDC

TO AMEMBASSY SEOUL

INFO AMCONSUL HONG KONG

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LIMDIS

E.O. 11652: N/A

TAGS: EFIN, KS

SUBJECT: REPORTED PLACEMENT OF KOREA ON SPECIAL MENTION
LIST

REF: SEOUL 1265

HONG KONG FOR REGFINATT

1. FRB INFORMS DEPARTMENT THAT THERE IS NO SUCH THING
AS QUOTE SPECIAL MENTION LIST. UNQUOTE IN ITS EVALUA-
TION OF LOANS OF BANKS IT EXAMINES, FRB MAY FROM TIME
TO TIME NOTE THAT CERTAIN LOANS REQUIRE SPECIAL MENTION
IN THAT THEY MAY HAVE POTENTIAL PROBLEMS ASSOCIATED
WITH THEM; THIS COULD BE CASE FOR SOME INDIVIDUAL LOANS
ASSOCIATED WITH KOREA, BUT KOREAN LOANS ARE NOT BEING
ROUTINELY SO REGARDED. FRB DOES NOT REGARD KOREA AS
AN AREA OF SPECIAL RISK.

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2. OFFICE OF COMPTROLLER OF CURRENCY ALSO REPORTS THAT IT DOES NOT MAINTAIN QUOTE SPECIAL MENTION LIST UNQUOTE, AND THAT IT DOES NOT CLASSIFY KOREA IN SPECIAL RISK CATEGORY ALTHOUGH IT HAS BEEN SO IN PAST. NEITHER FRB NOR COMPTROLLER'S OFFICE HAS CHANGED THEIR VIEW ON ELEMENT OF RISK IN KOREAN LOANS IN RECENT PAST.

3. DEPT OFFICER TALKED WITH ASIAN REGIONAL REPRESENTATIVE OF ALLIED INTERNATIONAL (MARGUEON) WHO SAID THAT HE AND MCCOY WERE QUERIED BY BANK OF SEOUL AND KOREAN EXCHANGE BANK ABOUT RUMORS KOREA HAD BEEN PUT IN QUOTE SPECIAL MENTION LIST UNQUOTE. MARGUEON SAID HE TOLD THEM KOREA WAS REGARDED AS BEING QUOTE ON SAME LEVEL UNQUOTE AS ITALY, AND THAT KOREANS WOULD HAVE TO QUOTE LOOK TO THEIR INTERNATIONAL IMAGE UNQUOTE OR THEY MIGHT HAVE BORROWING PROBLEMS. MARGUEON SAID MCCOY TOLD EMBASSY IT WAS COMMON KNOWLEDGE THAT KOREA WAS ON SPECIAL MENTION LIST, ALTHOUGH THEY HAD NOT SAID THIS TO KOREANS. WHEN TOLD OF DEPT OFFICER'S CONVERSATIONS WITH FRB AND COMPTROLLER'S OFFICE, MARGUEON MAINTAINED SOME OF COMPTROLLER'S EXAMINERS DID CURRENTLY REGARD KOREA AS AREA OF SPECIAL RISK. HOWEVER, MARGUEON SAID HE WILL TRY TO EASE KOREAN APPREHENSIONS THROUGH TALK WITH KEB REP IN NYC, AND THAT MCCOY WILL QUOTE CLARIFY UNQUOTE HIS REMARKS IN NEXT TRIP TO KOREA.

4. AT YOUR DISCRETION YOU MAY DRAW ON INFORMATION IN PARAS 1 AND 2 ABOVE IN DISCUSSION WITH BANKS TO WHICH MCCOY TALKED, AND ON IF ASKED BASIS WITH OTHER KOREAN BANKS AND GOVERNMENT OFFICIALS.

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